

# Tai Ping Carpets International Limited

Interim Report  
2018

Incorporated in Bermuda with Limited Liability  
Stock Code: 146



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# Management Discussion & Analysis

The Board of Directors (the “Board”) of Tai Ping Carpets International Limited (the “Company”) hereby presents the Interim Report and condensed consolidated interim financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2018. The condensed consolidated income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity of the Group for the six months ended 30 June 2018, and the condensed consolidated statement of financial position as at 30 June 2018, along with selected explanatory notes, all of which are unaudited and reviewed by the Audit Committee of the Company, can be found on pages 10 to 39 of this report.

## BUSINESS REVIEW

The Group’s consolidated turnover for the six months ended 30 June 2018 was HK\$245 million, up 39% over the HK\$177 million reported in the first half of 2017.

Operating losses for the six months ended 30 June 2018 were HK\$23 million, an improvement of HK\$100 million compared to the HK\$123 million incurred for the same period in 2017. This was driven by business recovery in most of our operating locations, lower overheads following business streamlining; and a reduction in non-recurring and one-off costs linked to the relocation of manufacturing operations, and Xiamen plant construction. Non-recurring and one-off costs for first half of 2018 were HK\$4 million, and HK\$42 million for the same period in 2017.

The Group’s loss attributable to the equity holders of the Company was HK\$22 million, compared to HK\$120 million for the same period last year.

## CARPET OPERATIONS

Sales revenue in carpet operations for the first half of 2018 was HK\$230 million, a 41% increase compared to the HK\$163 million reported for the same period last year. The increases were greatest in the Americas and EMEA which delivered growth of 54% and 64% respectively. Improvement was underpinned by a more focused sales strategy in the Artisan business supported by a streamlined regional sales structure; however it should also be noted that turnover in first half of 2017 was particularly weak linked to the uncertainty around the strategic review being undertaken at that time. Turnover for Asia was down by 9% as compared to the same period last year as a one-off large hospitality project was delivered in 2017.

Gross profit margins across almost all business segments and regions showed encouraging progress in the first half of 2018. Excluding non-recurring one-off costs, the normalised gross margin was 54% compared to 49% for the same period last year.

### Manufacturing Operations

Output from the new Artisan workshop in Xiamen continues to improve as the group of experienced, high-skilled workers develops. With output close to plan, management focus is on delivering the efficiency, productivity and material utilisation improvements needed to bring the cost of manufacture to target levels.

Manufacturing operations in Nanhai were terminated in May 2018 with the remaining production equipment relocated and re-used in Xiamen from July 2018.

Construction and commissioning of the new Xiamen Plant is now completed meaning that the infrastructure for capacity expansion is now ready to meet future growth.

### NON-CARPET OPERATIONS

Other operations comprise mainly our Group's U.S. based yarn-dyeing subsidiary and only represent 6% of the Group's sales. The operation was marginally unprofitable for the first half of the year.

### OUTLOOK

We enter the second half of 2018 with an order book that is slightly better than prior year, while normal seasonality means that the second six months is typically stronger. It is expected that trading and performance will start to catch up, and we also expect non-recurring and one-off costs to continue to reduce.

As noted in the Chairman's Statement of the 2017 Annual Report, the Company had worked through numerous challenges last year including managing the disposal of the Commercial business, completing the manufacturing relocation at accelerated speed; and executing the internal reorganisation for streamlining the remaining Artisan business. With the transition phase now well underway, and with our employees and customers regaining confidence in Tai Ping, the business is gradually improving and is on track to return to profitability.

### DIVIDEND

The Board does not recommend the payment of an interim dividend for the period (2017: Nil).

## CAPITAL EXPENDITURE

Capital expenditure in the form of property, plant and equipment, leasehold land and land use rights, construction in progress and intangible assets incurred by the Group totaled HK\$33 million during the six months ended 30 June 2018 (2017: HK\$123 million). As at 30 June 2018, the aggregate net book value of the Group's property, plant and equipment, leasehold land and land use rights, construction in progress and intangible assets amounted to HK\$417 million (as at 31 December 2017: HK\$402 million).

## LIQUIDITY & FINANCIAL RESOURCES

The Group coordinates its financing and cash management activities at the corporate level, and usually funds its business with internally generated cash flows and through banking facilities at various subsidiaries.

As at 30 June 2018, the Group had total cash and cash equivalents including short-term fixed deposits (with maturity within 12 months) amounting to HK\$88 million (2017: HK\$264 million) and; unsecured bank borrowings of HK\$8 million (2017: HK\$62 million).

## DETAILS OF CHARGES ON THE GROUP'S ASSETS

The Group had charges on bank deposits of HK\$1 million (as at 31 December 2017: HK\$1 million) made to a bank in securing the purchase of goods from the Group's suppliers and to pledge for utilities of factory in the P.R.C.

## EXPOSURE TO FOREIGN EXCHANGE RISKS

The Group has overseas operations in the U.S., Europe, and the P.R.C. The Group treats its investments in these foreign operations as permanent equity, so exchange differences from translating the net investments in these foreign operations do not affect cash flows and are dealt with in the reserves.

The Group's sales are denominated primarily in U.S. dollars and Euro, and to a lesser extent in a variety of other currencies.

The Group recorded a net exchange loss of HK\$2 million for the six months ended 30 June 2018 which was mainly attributable to the exchange loss arising from transactions denominated in Chinese Renminbi at the beginning of 2018.

## HUMAN RESOURCES & REMUNERATION POLICIES

The number of employees has decreased by 6% since the start of the year consistent with the internal reorganisation initiatives and closing down of Nanhai operations. The total number of employees at end of June 2018 was 839 compared to 893 at the end of 2017.

Employees are remunerated according to the nature of the job and market trends, with built-in merit components incorporated as an annual incentive to reward and motivate individual performance.

The primary focus for Human Resources during the year was in maintaining stability and retaining talent through a period of considerable organisational change.

Mr. James H. Kaplan retired as Chief Executive Officer and has been succeeded by Mr. Mark S. Worgan, effective from 1 January 2018.

## CONTINGENT LIABILITIES

As at 30 June 2018, the Group's total contingent liabilities amounted to HK\$5 million (as at 31 December 2017: HK\$15 million).

## ASSET HELD FOR SALE

Our minority shareholding in Philippine Carpet Manufacturing Corporation continues to be classified as an asset held for sale. Property assets in Manila are being marketed for sale, after which Tai Ping will sell or otherwise unwind our shareholding. This is expected to happen within the next 12 months.

**Mark S. Worgan**  
*Chief Executive Officer*

Hong Kong, 17 August 2018

# Corporate Governance & Other Information

## CORPORATE GOVERNANCE

The Company is committed to maintain high standards of corporate governance. The Company has complied with the applicable code provisions in the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the six months ended 30 June 2018 except the following:

The Company’s Non-Executive Directors are not appointed for specific terms as required by code provision A.4.1 of the CG Code. However, the relevant Bye-laws of the Company require that every director would retire by rotation at least once every three years, which is in line with the CG Code.

Code provision A.6.7 of the CG Code provides that independent non-executive directors and other non-executive directors, as equal Board members, should attend the general meetings and develop a balanced understanding of the views of the shareholders.

Due to other business engagement, Mr. John J. Ying, Non-Executive Director of the Company, and Mrs. Yvette Y. H. Fung and Mr. Aubrey K. S. Li, Independent Non-Executive Directors of the Company, did not attend the annual general meeting of the Company held on 18 May 2018.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the Directors’ transactions in the securities of the Company (the “Tai Ping Code”) on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the “Model Code”). Specific enquiry has been made of all the Directors of the Company and they have confirmed their compliance with the required standard set out in the Model Code and the Tai Ping Code during the six months ended 30 June 2018.

## AUDIT COMMITTEE

The Company has set up an Audit Committee on 23 September 2005 and the terms of reference of the Audit Committee are aligned with the CG Code. Under these terms of reference, the responsibilities of the Audit Committee include overseeing the relationship with the Company's external auditor (including making recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and approving the audit fee and reviewing the audit scope), review of financial information of the Group, oversight of the Group's financial reporting system, risk management and internal controls.

The Audit Committee, together with the management of the Company, has reviewed the accounting principles and practices adopted by the Company as well as the internal control procedures of the Company, and discussed financial reporting matters, including the review of interim financial information for the six months ended 30 June 2018.

## CHANGE IN DIRECTOR'S BIOGRAPHICAL DETAILS

Change in director's biographical details since the date of the 2017 annual report of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Mr. Lincoln C. K. Yung, an Independent Non-Executive Director of the Company, his appointment as the Honorary Chairman of Shanghai Commercial Bank Limited ended on 20 April 2018.

Save as disclosed above, there no other information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the six months ended 30 June 2018. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

## DIRECTORS' AND CHIEF EXECUTIVE INTERESTS IN THE SHARE, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY

As at 30 June 2018, the interests of the Directors and chief executive in the shares of the Company and its associated corporations (within the meaning of the Part XV of Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

### Ordinary shares of HK\$0.10 each in the Company as at 30 June 2018

No. of ordinary shares held (long position)

Name	Personal Interests (held as beneficial owner)	Corporate Interests (interests of controlled corporation)	% of the issued share capital of the Company
David C. L. Tong	431,910	–	0.204%
Lincoln C. K. Yung	30,000	–	0.014%
Nelson K. F. Leong	700,000	2,182,000 <sup>1</sup>	1.358%
John J. Ying	–	32,605,583 <sup>2</sup>	15.366%
Aubrey K. S. Li	100,000 <sup>3</sup>	–	0.047%

Notes:

<sup>1</sup> 2,000,000 shares are held by Gainsborough Associates Limited and 182,000 shares are held by Fontana Enterprises Limited, companies in which Mr. Nelson K. F. Leong holds 33.33% and 40% equity interests respectively and have controlling interest.

<sup>2</sup> The shares are held by Peak Capital Partners I, L.P. of which Mr. John J. Ying is the sole shareholder of the general partner of Peak Capital Partners I, L.P., and is deemed to have an interest in the shares held by Peak Capital Partners I, L.P. (the Company is advised that the term "general partner" commonly refers to the entity liable for all the debts and obligations of a limited partnership and has power to bind a limited partnership).

<sup>3</sup> The shares are jointly held by Mr. Aubrey K. S. Li and his spouse.

At no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and chief executive of the Company (including their spouse and children under 18 years of age) to hold any interests in the shares in, or debentures of, the Company or its specified undertakings or other associated corporation.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2018, the register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO showed that the Company had been notified of the following interests, being 5% or more in the issued ordinary share capital of the Company.

Name	No. of ordinary shares held in the Company of HK\$0.10 each (long position)	% of the issued share capital of the Company
Acorn Holdings Corporation <sup>1</sup>	40,014,178	18.858%
Bermuda Trust Company Limited <sup>1</sup>	40,014,178	18.858%
Harneys Trustees Limited <sup>1</sup>	77,674,581	36.607%
Lawrencium Holdings Limited <sup>1</sup>	77,674,581	36.607%
The Mikado Private Trust Company Limited <sup>1</sup>	77,674,581	36.607%
The Hon. Sir Michael Kadoorie <sup>1</sup>	77,674,581	36.607%
Peak Capital Partners I, L.P. <sup>2</sup>	32,605,583	15.366%

Notes:

<sup>1</sup> Bermuda Trust Company Limited is deemed to be interested in the same 40,014,178 shares in which Acorn Holdings Corporation is interested. The Mikado Private Trust Company Limited and Harneys Trustees Limited are deemed to be interested in the same 77,674,581 shares in which Lawrencium Holdings Limited is interested. For the purpose of the SFO, the spouse of the Hon. Sir Michael Kadoorie has a duty of disclosure in Hong Kong in relation to the 77,674,581 shares. The interest disclosed by the spouse of the Hon. Sir Michael Kadoorie is that of the Hon. Sir Michael Kadoorie attributed to her under the SFO. Except the above, she has no interest, legal or beneficial in those shares.

<sup>2</sup> Mr. John J. Ying (a Non-Executive Director of the Company) is the sole shareholder of the general partner of Peak Capital Partners I, L.P. and is deemed to have an interest in the shares held by Peak Capital Partners I, L.P. (the Company is advised that the term "general partner" commonly refers to the entity liable for all the debts and obligations of a limited partnership and has power to bind a limited partnership).

## DIVIDEND

The Board does not recommend the payment of an interim dividend for the period.

# Condensed Consolidated Income Statement

For the six months ended 30 June

	Note	Unaudited	
		2018 HK\$'000	2017 HK\$'000
<b>Continuing operations</b>			
Revenue	6	245,380	177,073
Cost of sales		(109,532)	(98,005)
Gross profit		135,848	79,068
Distribution costs	7	(88,496)	(114,510)
Administrative expenses	7	(84,470)	(89,291)
Other gains – net	8	13,785	1,357
<b>Operating loss</b>		<b>(23,333)</b>	<b>(123,376)</b>
Finance income		423	82
Finance costs		(6)	(82)
Finance income – net	9	417	–
<b>Loss before income tax</b>		<b>(22,916)</b>	<b>(123,376)</b>
Income tax expense	10	(2,418)	(103)
<b>Loss for the period from continuing operations</b>		<b>(25,334)</b>	<b>(123,479)</b>
Profit for the period from discontinued operation	27(a)	–	2,002
<b>Loss for the period</b>		<b>(25,334)</b>	<b>(121,477)</b>
<b>Loss attributable to:</b>			
Owners of the Company		(22,366)	(120,419)
Non-controlling interests		(2,968)	(1,058)
		(25,334)	(121,477)
(Losses)/earnings per share attributable to the owners of the Company during the period (expressed in HK cents per share)			
Basic/diluted			
Continuing operations	12	(10.54)	(57.64)
Discontinued operation	12	–	0.89
Total – Included Discontinued operation	12	(10.54)	(56.75)

The notes on pages 16 to 39 are an integral part of these condensed consolidated financial statements.

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June

	Unaudited	
	2018 HK\$'000	2017 HK\$'000
Loss for the period	(25,334)	(121,477)
<b>Other comprehensive income:</b>		
Item that may be reclassified to profit or loss		
Currency translation differences	(1,562)	28,101
Other comprehensive (loss)/income for the period, net of tax	(1,562)	28,101
<b>Total comprehensive loss for the period</b>	<b>(26,896)</b>	<b>(93,376)</b>
<b>Attributable to:</b>		
Owners of the Company	(23,747)	(93,426)
Non-controlling interests	(3,149)	50
	(26,896)	(93,376)
Total comprehensive (loss)/income for the period attributable to the owners of the Company arises from:		
Continuing operations	(23,747)	(95,303)
Discontinued operation	–	1,877
Total – Included Discontinued operation	(23,747)	(93,426)

The notes on pages 16 to 39 are an integral part of these condensed consolidated financial statements.

# Condensed Consolidated Statement of Financial Position

		Unaudited 30 Jun 2018	Audited 31 Dec 2017
	Note	HK\$'000	HK\$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Land use rights	13	28,523	29,090
Property, plant & equipment	14	268,749	256,297
Construction in progress	14	102,151	96,728
Intangible assets	15	17,340	19,560
Prepayments	16	20,115	16,274
		436,878	417,949
<b>Current assets</b>			
Inventories		97,545	92,888
Trade & other receivables	16	102,916	121,467
Derivative financial instruments		318	1,248
Current income tax assets		1,330	1,443
Pledged bank deposits	17	686	687
Cash & cash equivalents		88,365	264,338
		291,160	482,071
Non-current asset held for sale	18	17,192	17,192
		308,352	499,263
<b>Total assets</b>		<b>745,230</b>	<b>917,212</b>

The notes on pages 16 to 39 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

		Unaudited 30 Jun 2018	Audited 31 Dec 2017
	Note	HK\$'000	HK\$'000
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	19	21,219	21,219
Reserves	20	285,582	286,963
Retained earnings		153,769	176,075
		460,570	484,257
<b>Non-controlling interests</b>		<b>27,864</b>	<b>31,013</b>
<b>Total equity</b>		<b>488,434</b>	<b>515,270</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		3,399	3,399
Retirement benefit obligations		3,027	2,925
		6,426	6,324
<b>Current liabilities</b>			
Trade & other payables	21	147,756	328,787
Contract liabilities – Deposits received in advance	21	86,587	–
Current income tax liabilities		8,247	4,831
Bank borrowings – unsecured	22	7,780	62,000
		250,370	395,618
<b>Total liabilities</b>		<b>256,796</b>	<b>401,942</b>
<b>Total equity &amp; liabilities</b>		<b>745,230</b>	<b>917,212</b>
<b>Net current assets</b>		<b>57,982</b>	<b>103,645</b>
<b>Total assets less current liabilities</b>		<b>494,860</b>	<b>521,594</b>

The notes on pages 16 to 39 are an integral part of these condensed consolidated financial statements.

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June

	Unaudited							
	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Retained earnings	Total	Total		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Balance at 1 January 2017	21,219	189,699	123,283	348,260	682,461	34,656	717,117	
<b>Comprehensive income</b>								
Loss for the period	-	-	-	(120,419)	(120,419)	(1,058)	(121,477)	
<b>Other comprehensive income for the period</b>								
Currency translation differences	-	-	26,993	-	26,993	1,108	28,101	
Total other comprehensive income for the period, net of tax	-	-	26,993	-	26,993	1,108	28,101	
Total comprehensive income/(loss) for the period	-	-	26,993	(120,419)	(93,426)	50	(93,376)	
<b>Total contributions by and distributions to owners of the Company, recognised directly in equity</b>								
Dividend for 2016	-	-	-	(6,366)	(6,366)	-	(6,366)	
Total transactions with owners	-	-	-	(6,366)	(6,366)	-	(6,366)	
Balance at 30 June 2017	21,219	189,699	150,276	221,475	582,669	34,706	617,375	
Balance at 1 January 2018	21,219	189,699	97,264	176,075	484,257	31,013	515,270	
<b>Comprehensive income</b>								
Loss for the period	-	-	-	(22,366)	(22,366)	(2,968)	(25,334)	
<b>Other comprehensive loss for the period</b>								
Currency translation differences	-	-	(1,381)	-	(1,381)	(181)	(1,562)	
Total other comprehensive loss for the period, net of tax	-	-	(1,381)	-	(1,381)	(181)	(1,562)	
Total comprehensive loss for the period	-	-	(1,381)	(22,366)	(23,747)	(3,149)	(26,896)	
<b>Total contributions by and distributions to owners of the Company, recognised directly in equity</b>								
Dividend forfeited	-	-	-	60	60	-	60	
Total transactions with owners	-	-	-	60	60	-	60	
Balance at 30 June 2018	21,219	189,699	95,883	153,769	460,570	27,864	488,434	

The notes on pages 16 to 39 are an integral part of these condensed consolidated financial statements.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June

	Note	Unaudited	
		2018 HK\$'000	2017 HK\$'000
<b>Cash flows from operating activities</b>			
Cash used in operations		(36,006)	(135,901)
Income tax paid		(4,463)	(10,729)
Interest paid		(6)	(1,807)
Net cash generated from operating activities from discontinued operation	27(b)	-	77,176
<b>Net cash used in operating activities</b>		<b>(40,475)</b>	<b>(71,261)</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant & equipment and construction in progress		(33,420)	(45,411)
Acquisition of intangible assets		-	(2,468)
Proceeds from disposal of property, plant & equipment		187	12
Decrease in fixed deposits		-	389
Interest received		423	82
Net cash used in investing activities from discontinued operation	27(b)	(45,579)	(30,291)
<b>Net cash used in investing activities</b>		<b>(78,389)</b>	<b>(77,687)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		31,120	77,499
Repayments of borrowings		(85,460)	-
Decrease in pledged bank deposits		-	1,340
Dividend paid		(596)	(6,343)
Fund transfer from Remaining business		-	49,190
Net cash used in financing activities from discontinued operation	27(b)	-	(48,035)
<b>Net cash (used in)/generated from financing activities</b>		<b>(54,936)</b>	<b>73,651</b>
<b>Net decrease in cash &amp; cash equivalents</b>		<b>(173,800)</b>	<b>(75,297)</b>
Cash & cash equivalents at beginning of period		264,338	143,746
Exchange (losses)/gains on cash & cash equivalents		(2,173)	3,111
Cash & cash equivalents at end of period		88,365	71,560

The notes on pages 16 to 39 are an integral part of these condensed consolidated financial statements.

# Notes to the Condensed Consolidated Financial Statements

## 1. GENERAL INFORMATION

Tai Ping Carpets International Limited (“the Company”) and its subsidiaries (together “the Group”) are principally engaged in the design, manufacture, import, export and sale of carpets, manufacture and sale of yarns and sale of leather.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon’s Court, 22 Victoria Street, Hamilton HM EX, Bermuda. The principal office in Hong Kong is located at Units 1801-1804, 18th Floor, 909 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong.

The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These condensed consolidated interim financial statements are presented in thousands of Hong Kong dollars (HK\$’000), unless otherwise stated. These condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 17 August 2018.

These condensed consolidated interim financial statements have not been audited.

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2018 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The condensed consolidated interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative financial instruments) at fair value through profit or loss, which are carried at fair value.

## 2. BASIS OF PREPARATION (CONTINUED)

In August 2017, the Group entered into a sales and purchase agreement with an independent third party to dispose of the Group's Commercial business at a consideration of US\$94,000,000 (equivalent to approximately HK\$728,500,000) (the "Disposal"). The transaction was completed during the year ended 31 December 2017. Accordingly, the financial results of the Disposal are presented in the condensed consolidated income statement and condensed consolidated statement of cash flows as "Discontinued operation" in accordance with HKFRS 5 "Non-current Assets Held for Sales and Discontinued Operation" issued by the HKICPA. Comparative figures for 2017 have also been restated.

## 3. CHANGES IN ACCOUNTING STANDARDS

Except as described below, accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2017, as described in those annual consolidated financial statements.

New and amended standards and interpretations which are mandatory for the first time for the financial period beginning 1 January 2018 but have no material impact to the Group, are as follows:

Annual improvement Project HKFRS 1 and HKAS 28	Annual Improvements 2014-2016 Cycle (amendments)
HKFRS 2	Classification and Measurement of Share-based Payment Transactions (amendments)
HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts (amendments)
HKFRS 9	Financial Instruments (new standard)
HKFRS 15	Revenue from Contracts with Customers (new standard)
HKFRS 15	Clarifications to HKFRS 15 (amendments)
HKAS 40	Transfers of Investment Property (amendments)
HK(IFRIC)-Int 22	Foreign Currency Transaction and Advance Consideration (new interpretation)

### 3. CHANGES IN ACCOUNTING STANDARDS (CONTINUED)

#### HKFRS 9 "Financial instruments"

HKFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses ("ECL") model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

The standard is mandatory for financial years commencing on or after January 2018. The Group has adopted HKFRS 9 from 1 January 2018. The impact of this new standard on the Group's consolidated financial statements is immaterial.

### 3. CHANGES IN ACCOUNTING STANDARDS (CONTINUED)

#### HKFRS 15 "Revenue from contracts with customers"

HKFRS 15 will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The new standard permits either a full retrospective or a modified retrospective approach for the adoption.

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach:

- (1) Identify the contract(s) with customer;
- (2) Identify separate performance obligations in a contract;
- (3) Determine the transaction price;
- (4) Allocate transaction price to performance obligations; and
- (5) Recognise revenue when performance obligation is satisfied.

The core principle is that the Group should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an "asset-liability" approach based on transfer of control.

The standard is mandatory for financial years commencing on or after January 2018. The Group has adopted HKFRS 15 from 1 January 2018. The impact of this new standard on the Group's consolidated financial statements is immaterial.

### 3. CHANGES IN ACCOUNTING STANDARDS (CONTINUED)

#### Contract liabilities

Contract liabilities are recognised when considerations from customers are received, or the Group has the rights to the amount of considerations that are unconditional before the Group performs services or delivery of carpets to the customers. The following classification adjustments were made in the condensed consolidated statement of financial position at the date of initial application (1 January 2018):

Condensed Consolidated Statement of Financial Position (extracted)	Reported under current accounting policies HK\$'000	At 30 June 2018 effect under HKFRS 15 HK\$'000	Balance with the adoption of HKFRS 15 HK\$'000
<b>Current liabilities</b>			
Trade and other payables	234,343	(86,587)	147,756
Contract liabilities – Deposits received in advance	–	86,587	86,587

### 4. ESTIMATES

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation for uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

## 5. FINANCIAL RISK MANAGEMENT

### Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, price risk, credit risk, liquidity risk and cash flow and fair value interest rate risk.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2017.

There have been no changes in the risk management team since year end or in any risk management policies.

#### (a) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group Treasury. Group Treasury invests surplus cash in time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. At the end of the financial period, the Group held cash and cash equivalents of HK\$88,365,000 (as at 31 December 2017: HK\$264,338,000) that are expected to readily generate cash inflows for managing liquidity risk.

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Financial risk factors (Continued)

#### (a) Liquidity risk (Continued)

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the condensed consolidated statement of financial position date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows:

As at 30 June 2018	Repayable on demand HK\$'000	Less than 1 year HK\$'000	Total HK\$'000
Trade & other payables	–	82,809	82,809
Bank borrowings – unsecured	7,802	–	7,802
	7,802	82,809	90,611

  

As at 31 December 2017	Repayable on demand HK\$'000	Less than 1 year HK\$'000	Total HK\$'000
Trade & other payables	–	164,819	164,819
Bank borrowings – unsecured	62,109	–	62,109
	62,109	164,819	226,928

All of the Group's non-trading gross settled derivative financial instruments (Note 5 (b)) are in hedge relationships and are due to settle within 12 months of the consolidated statement of financial position date. These contracts require undisclosed contractual cash inflows of HK\$12,127,000 (2017: HK\$63,858,000) and undisclosed contractual cash outflows of HK\$11,670,000 (2017: HK\$62,000,000).

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Financial risk factors (Continued)

#### (b) Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2018, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into these levels within a fair value hierarchy as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2018.

	Level 2 HK\$'000
<b>Assets</b>	
<b>Derivative financial instruments:</b>	
Foreign currency forward contracts	318

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2017.

	Level 2 HK\$'000
<b>Assets</b>	
<b>Derivative financial instruments:</b>	
Foreign currency forward contracts	1,248

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Financial risk factors (Continued)

#### (b) Fair value estimation (Continued)

The fair value of derivative financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to measure fair value of an instrument are observable, the instrument is included in level 2.

## 6. REVENUE & SEGMENT INFORMATION

#### (a) Revenue

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
<b>Continuing operations</b>		
Sale of carpets	209,480	133,676
Sale of underlays	1,417	4,004
Installation of carpets	5,050	10,681
Interior furnishings	16,113	15,864
Sale of yarns	13,320	12,848
	<b>245,380</b>	<b>177,073</b>

#### (b) Segment information

Management has determined the operating segments based on the reports reviewed by the Board of Directors which are used to assess performance and allocate resources. The Board of Directors assesses the performance in the following geographical areas: Asia, Europe, the Middle East and Africa ("EMEA") and North America.

## 6. REVENUE & SEGMENT INFORMATION (CONTINUED)

### (b) Segment information (Continued)

The Board of Directors assesses the performance of the operating segments based on a measure of segment results. Segment results represent the operating profit/loss of each business segment and the effects of gain/loss and income/expenditure which are considered relevant in assessing the segment's performance.

The segment information provided to the management for the reportable segments for the six months ended 30 June 2018 and 2017 is as follows:

#### For the six months ended 30 June 2018

	Asia	EMEA	North America	Unallocated	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	39,083	99,532	106,765	–	245,380
Cost of production <sup>1</sup>	(17,186)	(45,654)	(49,126)	–	(111,966)
Segment gross margin	21,897	53,878	57,639	–	133,414
Segment results	(10,036)	2,687	(3,267)	–	(10,616)
Unallocated expenses <sup>2</sup>					(12,717)
Operating loss					(23,333)
Finance income					423
Finance costs					(6)
Loss before income tax					(22,916)
Income tax expense					(2,418)
Loss for the period					(25,334)
Capital expenditure	(31,692)	(428)	(1,300)	–	(33,420)
Depreciation of property, plant & equipment (Note 14)	(7,102)	(1,328)	(2,413)	(35)	(10,878)
Amortisation of land use rights (Note 13)	(331)	–	–	–	(331)
Amortisation of intangible assets (Note 15)	(2,101)	–	(65)	–	(2,166)
Recovery of/(allowance for) impairment of trade receivables, net	–	305	(315)	–	(10)

## 6. REVENUE &amp; SEGMENT INFORMATION (CONTINUED)

## (b) Segment information (Continued)

For the six months ended 30 June 2017

	Asia	EMEA	North America	Unallocated	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	41,543	61,367	74,163	–	177,073
Cost of production <sup>1</sup>	(36,514)	(36,268)	(39,083)	–	(111,865)
Segment gross margin	5,029	25,099	35,080	–	65,208
Segment results	(25,612)	(27,758)	(33,532)	–	(86,902)
Unallocated expenses <sup>2</sup>					(36,474)
Operating loss					(123,376)
Finance income					82
Finance costs					(82)
Loss before income tax					(123,376)
Income tax expense					(103)
Loss for the period from continuing operations					(123,479)
Profit for the year from discontinued operation					2,002
Loss for the period					(121,477)
Capital expenditure	(53,324)	(373)	(1,043)	–	(54,740)
Depreciation of property, plant & equipment	(6,178)	(1,429)	(3,213)	(40)	(10,860)
Amortisation of land use rights	(304)	–	–	–	(304)
Amortisation of intangible assets	(5,328)	–	(65)	–	(5,393)
Recovery/(allowance for) of impairment of trade receivables, net	90	(385)	(326)	–	(621)

## Notes:

- <sup>1</sup> Cost of production comprises cost of sales, transportation and administrative expenses of the factories, which are classified as distribution costs and administrative expenses in the condensed consolidated income statement.
- <sup>2</sup> Unallocated expenses include corporate expenses and income of the Group.

## 7. EXPENSES BY NATURE

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
<b>Continuing operations</b>		
Depreciation of property, plant & equipment (Note 14)	10,878	10,860
Amortisation of land use rights (Note 13)	331	304
Amortisation of intangible assets (Note 15)	2,166	5,393
Allowance for impairment of trade receivables, net	10	621
Allowance for impairment of inventories	476	2,306
Bad debts written off	114	403

## 8. OTHER GAINS – NET

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
<b>Continuing operations</b>		
Loss on disposal of property, plant & equipment	(31)	(12)
Property, plant and equipment written off	(686)	(521)
Gain on change in fair value of derivative financial instruments	1,092	–
Net foreign exchange (loss)/gain	(2,163)	1,141
Government subsidy	1,269	–
IT service income	3,306	–
Income received in relation to disposal of Commercial business	5,959	–
Others	5,039	749
	13,785	1,357

## 9. FINANCE INCOME – NET

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
<b>Continuing operations</b>		
Finance costs – interests on bank loans & overdrafts wholly repayable within five years	(6)	(82)
Finance income – interest income from banks	423	82
Finance income – net	417	–

## 10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
<b>Continuing operations</b>		
Current income tax		
PRC & overseas	2,115	416
Under/(over)-provision in prior years	303	(313)
Income tax expense	2,418	103

## 11. DIVIDEND

The Board does not recommend the payment of an interim dividend for the period. At the Board meeting held on 23 March 2018, the Board has resolved not to declare any dividend for the year ended 31 December 2017.

## 12. (LOSSES)/EARNINGS PER SHARE

Basic (losses)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2018	2017
(Loss)/profit attributable to owners of the Company (HK\$'000)		
arising from continuing operations	(22,366)	(122,296)
arising from discontinued operation	–	1,877
Weighted average number of ordinary shares in issue (thousands)	212,187	212,187
Basic (losses)/earnings per share (HK cents)		
from continuing operations	(10.54)	(57.64)
from discontinued operation	–	0.89
Total – Included Discontinued operation	(10.54)	(56.75)

The Group had no dilutive potential shares outstanding during the period ended 30 June 2018 and 2017.

## 13. LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their carrying amounts are analysed as follows:

	30 Jun 2018	31 Dec 2017
	HK\$'000	HK\$'000
At beginning of the period/year	29,090	27,785
Amortisation of land use rights (Note 7)	(331)	(620)
Exchange differences	(236)	1,925
At end of the period/year	28,523	29,090

## 14. PROPERTY, PLANT &amp; EQUIPMENT AND CONSTRUCTION IN PROGRESS

For the six months ended 30 June 2018

	Property, plant & equipment			Construction in progress	Total
	Buildings	Other assets	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 January 2018</b>					
Cost or valuation	227,803	287,091	514,894	96,728	611,622
Accumulated depreciation	(35,237)	(223,360)	(258,597)	–	(258,597)
Net book amount	192,566	63,731	256,297	96,728	353,025
<b>Period ended 30 June 2018</b>					
Opening net book amount	192,566	63,731	256,297	96,728	353,025
Additions	93	8,613	8,706	24,714	33,420
Transfer from construction in progress	–	18,362	18,362	(18,362)	–
Disposals	–	(187)	(187)	–	(187)
Assets written off	–	(686)	(686)	–	(686)
Depreciation (Note 7)	(2,628)	(8,250)	(10,878)	–	(10,878)
Exchange differences	(1,608)	(1,257)	(2,865)	(929)	(3,794)
Closing net book amount	188,423	80,326	268,749	102,151	370,900
<b>At 30 June 2018</b>					
Cost or valuation	225,923	303,853	529,776	102,151	631,927
Accumulated depreciation	(37,500)	(223,527)	(261,027)	–	(261,027)
Net book amount	188,423	80,326	268,749	102,151	370,900

## 14. PROPERTY, PLANT & EQUIPMENT AND CONSTRUCTION IN PROGRESS (CONTINUED)

For the six months ended 30 June 2017

	Property, plant & equipment			Construction in progress	Total
	Buildings	Other assets	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 January 2017</b>					
Cost or valuation	152,528	783,826	936,354	177,951	1,114,305
Accumulated depreciation	(106,753)	(624,609)	(731,362)	–	(731,362)
Net book amount	45,775	159,217	204,992	177,951	382,943
<b>Period ended 30 June 2017</b>					
Opening net book amount	45,775	159,217	204,992	177,951	382,943
Additions	–	2,387	2,387	49,885	52,272
Transfer from construction in progress	–	5,985	5,985	(5,985)	–
Disposals	–	(4)	(4)	–	(4)
Assets written off	–	(533)	(533)	–	(533)
Depreciation	(1,574)	(22,380)	(23,954)	–	(23,954)
Exchange differences	2,573	6,010	8,583	6,304	14,887
Closing net book amount	46,774	150,682	197,456	228,155	425,611
<b>At 30 June 2017</b>					
Cost or valuation	160,510	813,374	973,884	228,155	1,202,039
Accumulated depreciation	(113,736)	(662,692)	(776,428)	–	(776,428)
Net book amount	46,774	150,682	197,456	228,155	425,611

## 15. INTANGIBLE ASSETS

For the six months ended 30 June 2018

	Vendor relationships HK\$'000	Computer software HK\$'000	Brands HK\$'000	Design library HK\$'000	Other intangible assets HK\$'000	Total HK\$'000
<b>At 1 January 2018</b>						
Cost	7,169	69,946	2,250	1,937	3,013	84,315
Accumulated amortisation & impairment	(7,169)	(54,230)	-	(1,292)	(2,064)	(64,755)
Net book amount	-	15,716	2,250	645	949	19,560
<b>Period ended 30 June 2018</b>						
Opening net book amount	-	15,716	2,250	645	949	19,560
Amortisation (Note 7)	-	(2,101)	-	(65)	-	(2,166)
Exchange differences	-	13	(49)	3	(21)	(54)
Closing net book amount	-	13,628	2,201	583	928	17,340
<b>At 30 June 2018</b>						
Cost	7,197	69,955	2,201	1,945	2,971	84,269
Accumulated amortisation & impairment	(7,197)	(56,327)	-	(1,362)	(2,043)	(66,929)
Net book amount	-	13,628	2,201	583	928	17,340

## 15. INTANGIBLE ASSETS (CONTINUED)

For the six months ended 30 June 2017

	Vendor relationships HK\$'000	Computer software HK\$'000	Brands HK\$'000	Design library HK\$'000	Other intangible assets HK\$'000	Total HK\$'000
<b>At 1 January 2017</b>						
Cost	7,169	69,037	1,950	1,937	2,768	82,861
Accumulated amortisation & impairment	(7,169)	(44,034)	–	(1,163)	(1,788)	(54,154)
Net book amount	–	25,003	1,950	774	980	28,707
<b>Period ended 30 June 2017</b>						
Opening net book amount	–	25,003	1,950	774	980	28,707
Additions	–	2,468	–	–	–	2,468
Amortisation	–	(5,240)	–	(64)	(89)	(5,393)
Written off	–	(1)	–	–	–	(1)
Exchange differences	–	1	188	–	73	262
Closing net book amount	–	22,231	2,138	710	964	26,043
<b>At 30 June 2017</b>						
Cost	7,169	71,505	2,138	1,937	2,925	85,674
Accumulated amortisation & impairment	(7,169)	(49,274)	–	(1,227)	(1,961)	(59,631)
Net book amount	–	22,231	2,138	710	964	26,043

Other intangible assets include web-based applications.

## 16. TRADE &amp; OTHER RECEIVABLES

	30 Jun 2018 HK\$'000	31 Dec 2017 HK\$'000
Trade receivables	53,311	62,824
Less: provision for impairment of trade receivables	(7,994)	(8,214)
Trade receivables – net	45,317	54,610
Prepayments	17,317	17,354
Value added tax receivables	25,497	29,720
Rental deposits	7,637	7,712
Other receivables	27,263	28,345
	123,031	137,741
Less: Non-current portion prepayments	(20,115)	(16,274)
	102,916	121,467

**16. TRADE & OTHER RECEIVABLES (CONTINUED)**

Other receivables included non-current portion of prepayments amounted to HK\$20,115,000 (as at 31 December 2017: HK\$16,274,000).

The carrying amounts of trade receivables approximate their fair values as at 30 June 2018 and 31 December 2017. The credit terms of the Group range from 0 to 90 days, depending on the credit status and repayment history of customers. At the end of the financial period, the ageing analysis of the trade receivables based on invoice date is as follows:

	30 Jun 2018	31 Dec 2017
	HK\$'000	HK\$'000
0 to 30 days	29,791	19,478
31 to 60 days	4,674	8,565
61 to 90 days	1,607	3,595
91 to 365 days	10,597	20,249
More than 365 days	6,642	10,937
	<b>53,311</b>	<b>62,824</b>

The ageing analysis of the trade receivables which are past due but not impaired is as follows:

	30 Jun 2018	31 Dec 2017
	HK\$'000	HK\$'000
Amounts past due but not impaired:		
Less than 30 days past due	16,887	10,193
31 to 60 days past due	4,101	17,326
61 to 90 days past due	1,630	2,875
91 to 365 days past due	7,819	3,934
More than 365 days past due	1,377	6,719
	<b>31,814</b>	<b>41,047</b>

The balances mainly relate to existing customers, most of which have no recent history of default.

As at 30 June 2018, trade receivables of approximately HK\$31,814,000 (as at 31 December 2017: HK\$41,047,000) were past due but not impaired. The balances were related to a number of customers that have a good track record with the Group. Based on the past experience, management estimates that the carrying amounts should be fully recovered.

## 17. PLEDGED BANK DEPOSITS

Pledged bank deposits represented deposits made to a bank in securing the purchase of goods from the Group's suppliers and to pledge for utilities of factory in the PRC.

## 18. NON-CURRENT ASSET HELD FOR SALE

On 13 December 2013, the Directors approved the disposal of the Group's investment in Philippine Carpet Manufacturing Corporation ("PCMC"). Accordingly, management reclassified all the Group's investment in PCMC as non-current asset held for sale as at 31 December 2013, as the carrying amount would be recovered principally through sale, the investment is available for immediate sale at their present conditions and such sale is considered highly probable. The disposal has not yet been completed as at 30 June 2018.

## 19. SHARE CAPITAL

	No. of shares	HK\$'000
Authorised – Ordinary shares of HK\$0.10 each:		
At 1 January 2018 & 30 June 2018	400,000,000	40,000
Issued & fully paid – Ordinary shares of HK\$0.10 each:		
At 1 January 2018 & 30 June 2018	212,187,488	21,219

## 20. RESERVES

	Share premium	Capital reserve	Properties			Total
			revaluation reserve	General reserve	Exchange reserve	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2017	189,699	55,928	4,161	8,000	55,194	312,982
Currency translation differences	–	–	–	–	26,993	26,993
Balance at 30 June 2017	189,699	55,928	4,161	8,000	82,187	339,975
Balance at 1 January 2018	189,699	55,928	4,161	8,000	29,175	286,963
Currency translation differences	–	–	–	–	(1,381)	(1,381)
Balance at 30 June 2018	189,699	55,928	4,161	8,000	27,794	285,582

**21. TRADE & OTHER PAYABLES**

	30 Jun 2018	31 Dec 2017
	HK\$'000	HK\$'000
Trade payables	15,460	33,361
Deposits received in advance	86,587	86,930
Accrued expenses	66,636	64,819
Other payables	65,660	143,677
	<b>234,343</b>	<b>328,787</b>
Less: Contract liabilities – Deposits received in advance	(86,587)	–
	<b>147,756</b>	<b>328,787</b>

Contract liabilities are recognised when considerations from customers are received, or the Group has the rights to the amount of considerations that are unconditional before the Group performs services or delivery of carpets to the customers.

At the end of the financial period, the ageing analysis of the Group's trade payables based on invoice date is as follows:

	30 Jun 2018	31 Dec 2017
	HK\$'000	HK\$'000
0 to 30 days	6,910	10,621
31 days to 60 days	885	7,292
61 days to 90 days	613	1,230
More than 90 days	7,052	14,218
	<b>15,460</b>	<b>33,361</b>

**22. BANK BORROWINGS – UNSECURED**

	30 Jun 2018	31 Dec 2017
	HK\$'000	HK\$'000
Current		
Short-term bank borrowings	7,780	62,000

**23. CAPITAL COMMITMENTS**

	30 Jun 2018	31 Dec 2017
	HK\$'000	HK\$'000
Authorised but not contracted for in respect of property, plant & equipment	13,825	35,914
Contracted but not provided for in respect of property, plant & equipment	8,739	35,406
	<b>22,564</b>	<b>71,320</b>

**24. CONTINGENT LIABILITIES**

	30 Jun 2018	31 Dec 2017
	HK\$'000	HK\$'000
Performance bonds issued by banks	4,898	15,220

**25. OPERATING LEASE COMMITMENTS**

The Group has entered into a number of operating lease agreements on property, plant and equipment. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 Jun 2018		31 Dec 2017	
	Property	Other assets	Property	Other assets
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Not later than one year	27,649	635	37,754	741
Later than one year and not later than five years	82,062	567	91,129	742
Later than five years	26,469	–	87,237	–
	<b>136,180</b>	<b>1,202</b>	<b>216,120</b>	<b>1,483</b>

## 26. RELATED PARTY TRANSACTIONS

The Mikado Private Trust Company Limited ("MPTCL") is a major substantial shareholder of the Company and MPTCL is also deemed to be interested in more than 30% of the voting power of The Hongkong and Shanghai Hotels, Limited.

The following transactions were carried out with related parties:

### (a) Sale of goods & services

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Sale of carpets:		
The Hongkong and Shanghai Hotels, Limited ("HSH") <sup>1</sup>	144	2,289

Notes:

<sup>1</sup> By virtue of the fact that HSH is under common control with the Company, the transactions of the Company's subsidiaries with HSH and its subsidiaries are related party transactions.

### (b) Period/year-end balances arising from sale/purchase of goods/services

	30 Jun 2018 HK\$'000	31 Dec 2017 HK\$'000
Trade receivable from related party:		
HSH	121	57

### (c) Key management compensation

Key management includes Chairman, Executive Director and senior management. The compensation paid or payable to key management for employee service is shown below:

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Salaries & other short-term employee benefits	6,416	14,450

## 27. DISCONTINUED OPERATION

During the year 2017, the Group completed the Disposal. Accordingly, the financial results of the Disposal are presented in the condensed consolidated income statement and condensed consolidated statement of cash flows as “Discontinued operation” in accordance with HKFRS 5 “Non-current Assets Held for Sales and Discontinued Operation” issued by the HKICPA. Comparative figures have been restated.

- (a) An analysis of profit after tax from discontinued operation for the six months period ended 30 June 2017 is set out below:

	2017 HK\$'000
Revenue	269,169
Cost of sales	(165,725)
Gross profit	103,444
Other gains – net	3,301
Distribution and administrative expenses	(99,473)
<b>Operating profit from discontinued operation</b>	<b>7,272</b>
Finance costs – net	–
<b>Profit before income tax from discontinued operation</b>	<b>7,272</b>
Income tax expense	(5,270)
<b>Profit after tax from discontinued operation</b>	<b>2,002</b>
Share of non-controlling interests	(125)
<b>Profit after tax from discontinued operation attributable to the owners of the Company</b>	<b>1,877</b>

- (b) An analysis of the cash inflows/(outflows) of the discontinued operation for the six months period ended 30 June is as follows:

	2018 HK\$'000	2017 HK\$'000
Net cash generated from operating activities	–	77,176
Net cash used in investing activities	(45,579)	(30,291)
Net cash used in financing activities	–	(48,035)
<b>Total cash outflows</b>	<b>(45,579)</b>	<b>(1,150)</b>

# Corporate Information

## Board of Directors

Chairman & Non-Executive Director  
Mr. Nicholas T. J. Colfer

Chief Executive Officer & Executive Director  
Mr. Mark S. Worgan

Non-Executive Directors  
Mr. David C. L. Tong  
Mr. John J. Ying  
Mr. Nelson K. F. Leong  
Mr. Andrew C. W. Brandler

Independent Non-Executive Directors  
Mrs. Yvette Y. H. Fung  
Mr. Roderic N. A. Sage  
Mr. Lincoln C. K. Yung  
Mr. Aubrey K. S. Li  
Mr. Daniel G. Green

## Executive Committee

Mr. Nicholas T. J. Colfer (*Committee Chairman*)  
Mr. Mark S. Worgan  
Mr. David C. L. Tong  
Mr. Nelson K. F. Leong

## Audit Committee

Mr. Roderic N. A. Sage (*Committee Chairman*)  
Mr. Aubrey K. S. Li  
Mr. John J. Ying

## Remuneration Committee

Mr. Roderic N. A. Sage (*Committee Chairman*)  
Mrs. Yvette Y. H. Fung  
Mr. David C. L. Tong

## Nomination Committee

Mr. Nicholas T. J. Colfer (*Committee Chairman*)  
Mr. Lincoln C. K. Yung  
Mrs. Yvette Y. H. Fung

## Company Secretary

Mr. Lung Chi Sing Alex

## Auditor

PricewaterhouseCoopers  
Certified Public Accountants  
22nd Floor, Prince's Building  
Central, Hong Kong

## Principal Bankers

The Hongkong and Shanghai Banking  
Corporation Limited  
Standard Chartered Bank (Hong Kong) Limited

## Principal Share Registrar and Transfer Agent

Estera Management (Bermuda) Limited  
Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda

## Branch Share Registrar

Computershare Hong Kong Investor Services  
Limited  
1712-1716, 17th Floor, Hopewell Centre  
183 Queen's Road East, Wan Chai  
Hong Kong

## Registered Office

Canon's Court  
22 Victoria Street  
Hamilton HM EX  
Bermuda

## Principal Office in Hong Kong

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909 Cheung Sha Wan Road  
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Stock Code: 146